UNDP

UNITED NATIONS DEVELOPMENT PROGRAMME

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APPROVAL OF UNDP/UNCDF ASSISTANCE TO A PROJECT OF MALAWI

INDIANA UNIVERSITY
DEPT. IS

IPF:(1992-96) $6 134 000
(MLW/87/C03) - Rural Motorized Transport

Date of approval by the AC:[1/]	19 August 1992
Expected duration:	Three years
Proposed executing agency:	UNDP/OPS
Government implementing agency:	Ministry of Transport and Communications
Proposed UNDP contribution:	$495 000 Source of funds: IPF
Proposed UNCDF contribution:	$1 443 600 Source of funds: General Resources
Government cost sharing:	$129 000
Total UNDP budget:	$2 067 600

Project background

As part of its economic renewal programme (DEVPOL 1987-96) the Government of Malawi has increased the network of rural and district roads. The secondary and district road network has benefited from the IDA funded Road Improvement/Maintenance Programme (DRIMP). Conditions on the rural access road system where there has been minimal investment remain unsatisfactory. The UNDP/UNCDF funded Village Access Roads and Bridges Construction project remains thus far the only effort aimed at rehabilitating this level of the road network. While the density of the network is comparatively good, and the conditions though generally poor, remain not much worse than in other comparable African countries, the use of the road network is very limited. Typical traffic flows on secondary and district roads average about 30 VPD. The paucity of the motorized vehicle fleet accounts largely for this low level of road usage. Fleet capacity relative to population (passenger places per 1000 inhabitants) is estimated at 3.6 (1989) and for rural populations, the estimates are lower still at 2.3. These are far below estimates of other African countries.

Small fleet capacity is a major constraint on agricultural development and production particularly in the small holder sector which accounts for over 90 percent of the total food requirements of the country. Smallholders, constituting over 80 percent of the Malawi population are consequently unable to benefit from the opportunities created by the current price/market liberalization policies due to a number of "non-price" constraints, of which marketing and transportation are the most important. Since available motorized transport fleets operate mainly in and around the mainurban centres, the dominant modes of transport in the rural areas are walking, headloading, bicycles and oxcarts for heavier and longer

[1/] This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.

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cargo transport. The limitations in terms of carrying capacity, range and speed of these modes of transportation results in substantial waste in time that could be reserved for productive activities in rural households. Passenger/goods motorized transport in rural areas is sporadically offered by illegal, unlicensed, accident-prone operators who, depending on season, location and vehicular conditions, charge exorbitant fares.

The pattern of stagnation of the motor vehicle fleet must be seen against the background of overall stagnation of the Malawian economy in the 1980s and the effects of increased fuel prices, the increased costs of borrowing foreign capital, the debt burden and the decline in the external terms of trade (Malawi's dollar-adjusted international terms of trade declined from a base of 100 in 1980 to 28 in 1988 with the collapse of world tobacco prices as a critical factor. More specifically, however, non-availability of credit and shortage of foreign exchange for vehicle imports (coupled with an unfavourable transport pricing policy) have contributed in impeding the development of rural transport services.

Description of project

The long-term objective of the project is to develop smallholder agricultural production through increased mobility of factors of production and surplus produce in and from rural areas, and in the improvement of living condition in those areas through better access to Social Services.

The immediate objectives of the project are to: (a) upgrade the capacity for motorized passenger and freight transport in the districts of Dedza, Rumphi, Mulanje and Mwanza; (b) demonstrate the feasibility of a vehicle leasing scheme for rural transport; (c) create in-country capacity for managing rural motorized transport; and (d) train operators in transport business management.

Project activities will include: (a) establishment of a fleet of 36 (2-4 tons payload) vehicles leased to private owner/operators, by project year 3; (b) creation of a revolving lease fund and profitable transport business in 40 km catchment areas of 4 rural centres in the four targeted districts; and (c) establishing a sustainable structure to monitor rural transport operations.

Inputs

UNDP will provide a transport management adviser (18 man months, four UNVs (24 man months) four national transport officers (36 man months each); part of the PMU operating costs and sub-contracts for training. UNCDF will finance the procurement costs of 42 trucks/vehicles and evaluation/formulation, support and Agency overhead costs. The Government will provide premises for the PMU, and will finance local costs of counterpart staff and part of the PMU's operating costs.

Financial data

	Government	$ UNDP	UNCDF
Personnel	36 000	412 000	-
Premises	81 000	-	-
Missions, reporting	-	2 500	65 000
Training	-	30 000	-
Non-expendable equipment	-	25 000	1 200 000
Expendable equipment	-	15 000	-
Operation and maintenance	12 000	9 000	-
Support costs, miscellaneous and contingencies	-	1 500	178 600
Total	129 000	495 000	1 443 600

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